

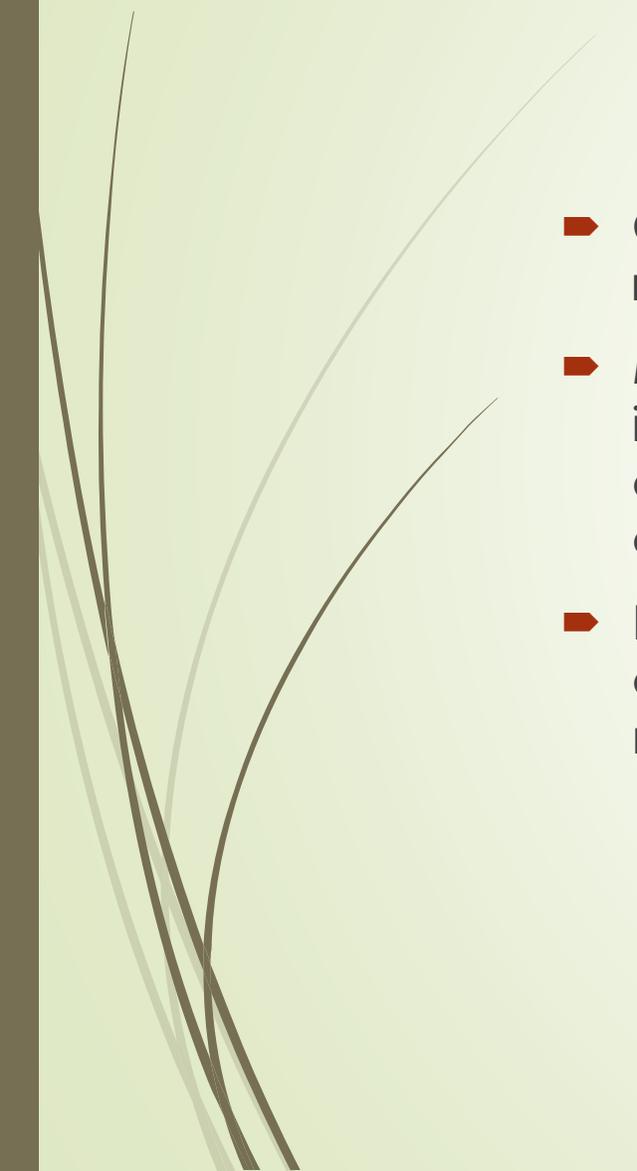


# Using Risk Assessment Methodologies to Meet Management Objectives

D.L. DeMott



# Introduction



- ▶ Corporate and program objectives focus on desired performance and results.
- ▶ Management decisions that affect how to meet these objectives now involve a complex mix of: technology, safety issues, operations, process considerations, employee considerations, regulatory requirements, financial concerns and legal issues.
- ▶ Risk Assessments are a tool for decision makers to understand potential consequences and be in a position to reduce, mitigate or eliminate costly mistakes or catastrophic failures.



# Defining Management Risks

- ▶ Management Risk can be defined as - the possibility that an event will occur and unfavorably affect the accomplishment of stated goals and objectives.
- ▶ Different types of risks that can affect a project or company include:
  - Financial markets
  - Politics and public relations
  - Legal liabilities
  - Accidents
  - Weather and other natural disasters
  - Safety Issues
  - Regulatory / Government changes
  - Environmental concerns



# Defining a Risk Assessment

- ▶ Risk assessment is a systematic process for identifying and evaluating events that could affect achieving a goal or objective.
- ▶ A risk assessment should begin and end with a specific business objective associated with the identification of the potential conditions or barriers responsible not meeting the objective.
- ▶ Defined objectives provide a basis for measuring the impact and probability (usually identified as likelihood X consequence = risk) of risk ratings or rankings.



# Effective Risk Management Plans and Programs Include:

- ▶ An objective and systematic program to identify, understand and act to address risks including a method to evaluate the identified “risk” and it’s consequences.
- ▶ A comprehensive plan for success that includes development, implementation, refinement and monitoring of effectiveness of the plan.
- ▶ Actions to ensure that Risk Management becomes an integral part of the decision making process.
- ▶ Responsibilities, training and methodology to identify risks on a continuous basis

# Risk Identification Includes:

<b>Safety Objectives (types of risk)</b>	<b>Program Risks Objectives (types of risks)</b>	<b>Factors to consider for Company or program risk generation</b>
Workers	Schedule	Industry and industry standards,
Facility	Budget	Risk tolerance
Environment	Public perception	Tasks, tools, and environment
Operations		Type and availability of data
Public		Industry views and requirements regarding risk & reliability



# Effective Risk Management Plans and Programs Include (continued):

- ▶ Processes to communicate risk concerns and identification
  - ▶ Risk owners
  - ▶ Method for prioritization
    - Who is responsible for prioritization, who needs to agree?
    - What are the basis for the priorities (methodology)?
    - How risks will be addressed
  - ▶ Action plans
- 



# Analyze Risk

- ▶ Types of assessments include:
  - Qualitative assessments - generally subjective
  - Quantitative assessments - objective, data driven
- ▶ Select Methodology based on:
  - Cost and benefit
  - Fits the need
- ▶ Risk assessment as a management tool evolves and matures over time
- ▶ Benchmark and compare risk information across similar organizations
- ▶ Identify and understand risk causes to determine effective responses to minimize risks



# Plan and Implement Risk Responses

- ▶ Address Risk based on:
    - Consequences
    - Cost/benefit
    - Goals and objectives
  - ▶ Options for management decisions
    - Avoidance
    - Minimization
    - Acceptance
  - ▶ Measure the effects of your risk management efforts
  - ▶ Continuously implement improvements
- 



# Risk log/register should:

- ▶ Track Risks and Associated Tasks
  - ▶ View progress & documents risk
  - ▶ Focus on the current situation of each risk and identify changes
  - ▶ Show responsibilities, due dates and actions
  - ▶ Show or measure success
- 



# Standards



- ▶ ISO 31000 provides an internationally recognized benchmark for risk management practices with sound principles for effective management and corporate governance.
- ▶ ISO/IEC 31010:2009 focuses on risk assessment concepts, processes and the selection of risk assessment techniques.



# Summary/conclusion

- Using a risk assessment methodology is only a starting point.
- A risk assessment program provides management with important input in the decision making process.
- A pro-active organization looks to the future to avoid problems, a reactive organization can be blindsided by risks that could have been avoided.
- You get out what you put in, how useful your program is will be up to the individual organization.